

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

Audited Financial Statements

For the Years Ended June 30, 2008 and 2007

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

Audited Financial Statements
For the Years Ended June 30, 2008 and 2007

HAYDEN & ROSS, P.A.
Certified Public Accountants
Moscow, Idaho

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

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FINANCIAL SECTION

HAYDEN & ROSS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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Jim Pilcher, CPA/PFS • Dave Jones, CPA/PFS • Brad Lewis, CPA/PFS • Cade Konen, CPA/PFS • Nathan Strong, CPA/PFS • Mark Watson, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sandpoint Charter School, Inc.
Sandpoint, Idaho 83864

We have audited the accompanying statements of financial position of the Sandpoint Charter School, Inc. as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Sandpoint Charter School, Inc. as of June 30, 2008, and 2007 and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Hayden & Ross, P.A.

Moscow, Idaho
September 16, 2008

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

STATEMENTS OF FINANCIAL POSITION
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash	174,082	149,480
State support receivable	13,841	11,133
Other receivable	2,660	0
Prepaid Expenses	5,995	7,021
Total Current Assets	<u>196,578</u>	<u>167,634</u>
Fixed Assets		
Land and buildings	1,616,995	1,616,995
Fixtures and equipment	57,525	57,525
Less accumulated depreciation	<u>(207,542)</u>	<u>(163,066)</u>
Net Fixed Assets	<u>1,466,978</u>	<u>1,511,454</u>
Total Assets	\$ <u>1,663,556</u>	<u>1,679,088</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	14,198	14,173
Salaries and benefits payable	86,113	67,623
Current portion of long-term debt	55,523	31,131
Total Current Liabilities	<u>155,834</u>	<u>112,927</u>
Long-term liabilities, less current portion	<u>1,355,872</u>	<u>1,418,854</u>
Net Assets		
Unrestricted	<u>151,850</u>	<u>147,307</u>
Total Liabilities and Net Assets	\$ <u>1,663,556</u>	<u>1,679,088</u>

The accompanying notes are an integral part of these financial statements.

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue, Grants, and Other Support		
Federal support	28,794	18,072
State support	947,244	802,208
Interest	13,155	10,676
Other local	11,881	7,375
Total Revenue, Grants and Other Support	<u>1,001,074</u>	<u>838,331</u>
Expense		
Program (instructional)	615,937	494,790
Administrative (support)	244,814	239,590
Non-instructional	4,422	7,136
Depreciation	44,476	48,585
Interest on long-term debt	86,882	96,322
Total Expense	<u>996,531</u>	<u>886,423</u>
Change in net assets - unrestricted	4,543	(48,092)
Net assets - beginning of year	<u>147,307</u>	<u>195,399</u>
Net assets - end of year	<u>\$ 151,850</u>	<u>147,307</u>

The accompanying notes are an integral part of these financial statements.

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Cash received from state support	944,536	802,893
Cash received from federal support	28,794	18,072
Cash received from interest	13,155	10,676
Other cash received	9,221	7,375
Cash paid for interest	(86,882)	(96,323)
Cash paid to suppliers and employees	(845,632)	(730,266)
Net Cash Provided by Operating Activities	<u>63,192</u>	<u>12,427</u>
Cash Flows from Investing Activities		
Purchase of fixed assets	<u>0</u>	<u>0</u>
Cash Flows from Financing Activities		
Payment on long-term debt and fees	<u>(38,590)</u>	<u>(28,779)</u>
Net Increase (Decrease) in Cash	24,602	(16,352)
Cash - Beginning of Year	<u>149,480</u>	<u>165,832</u>
Cash - End of Year	<u><u>\$ 174,082</u></u>	<u><u>149,480</u></u>
Reconciliation of Change in Net Assets to Net		
Cash Provided by (Used in) Operating Activities:		
Change in net assets	4,543	(48,092)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation and amortization	44,476	48,585
Decrease (increase) in state support receivable	(2,708)	685
Decrease (increase) in other receivable	(2,660)	0
Decrease (increase) in prepaid expenses	1,026	(7,021)
Increase (decrease) in accounts payable	25	(11,246)
Increase (decrease) in salaries and benefits payable	<u>18,490</u>	<u>29,516</u>
Net Cash Provided by Operating Activities	<u><u>\$ 63,192</u></u>	<u><u>12,427</u></u>

The accompanying notes are an integral part of these financial statements.

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2008 and 2007

NOTE 1 - ORGANIZATION

The Sandpoint Charter School (the School) is a non-profit state-funded public school. The School serves middle school aged (6th, 7th, 8th grades) children in the Bonner County area. The School was approved in January 2001 by the Lake Pend Oreille School District Board of Education. The school offers a rigorous educational curriculum that emphasizes project based learning and high behavioral and academic standards.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted Support - The School reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, either when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The School reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used.

Basis of Accounting - The School uses the accrual basis of accounting. Revenues are recognized as earned, and expenses are recognized when incurred.

Cash - The School has no requirement to hold cash in separate accounts.

Accounts Receivable - No allowance for uncollectible accounts is calculated by the School since all receivables were deemed to be collectible.

Income Tax Status - The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code except for income, if any, derived from unrelated business.

Fixed Assets - The cost of fixed assets is depreciated over the estimated useful lives of the assets. The School has a capitalization threshold policy of \$5,000. Depreciation is computed on the straight-line method for financial reporting purposes. The useful lives of fixed assets for purposes of computing depreciation are 5 to 7 years for office furniture and equipment and 40 years for buildings. Depreciation expense for the years ending June 30, 2008 and 2007 was \$44,476 and \$48,585, respectively.

Use of Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses, and actual results may differ from estimated amounts.

Statement of Cash Flows - For purposes of the Statement of Cash Flows, the School considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Reports Required by the State - The income statements required by the State included in the supplemental information report the unrestricted activity. The General Fund accounts for activities for general operations. The Special Revenue Funds account for the activities from the grants the School received. The School Plant Facility Fund accounts for activities related to the building facilities used by the School.

NOTE 3 - LONG-TERM DEBT

Long-term debt for the School as of June 30, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
United States Department of Agriculture (USDA) secured by land, building and equipment payable at \$3,614 per month including interest at 4.5%. The note matures January 2029.	580,865	597,680
Panhandle State Bank (PSB) secured by land, building and equipment, payable at \$6,526.46 per month including interest. Interest is computed at a variable rate referenced to the prime rate as reported in the <i>Wall Street Journal</i> . The interest rate to be applied to unpaid principal will be at a rate of 2.0% over the prime rate. The interest rate at June 30, 2008 was 5.00%. The note matures August 2023.	<u>830,530</u>	<u>852,305</u>
Total Long-term Debt	1,411,395	1,449,985
Less Current Portion	<u>(55,523)</u>	<u>(31,131)</u>
Net Long-term Debt	<u>\$1,355,872</u>	<u>\$1,418,854</u>

Future debt service is as follows:

Fiscal Year-end	
June 30,	
2009	55,523
2010	57,984
2011	60,854
2012	63,867
2013	67,030
2014 and thereafter	<u>1,106,137</u>
Total	<u>\$1,411,395</u>

NOTE 4 – MAJOR FUNDING SOURCE

The School received a majority of its revenue from the Idaho Department of Education.

	<u>2007</u>	<u>% of Total Revenue</u>
Idaho Department of Education	\$947,244	95%
	<u>2006</u>	<u>% of Total Revenue</u>
Idaho Department of Education	\$802,208	96%

NOTE 5 - EMPLOYEE'S RETIREMENT SYSTEM

Public Employee Retirement System of Idaho (PERSI), The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the School and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2008, the required contribution rate as a percentage of covered payroll for members was 6.23%. The employer rate as a percentage of covered payroll was 10.39%. The School's contributions required and paid were \$47,221, \$39,316 and \$33,442, for the three years ended June 30, 2008, 2007, and 2006, respectively.

NOTE 6 – DESIGNATED FUND BALANCE

For the year ending June 30, 2007, the Idaho State Legislature levied a requirement for all school districts in the State of Idaho to spend a certain amount of funds on capital outlay and maintenance on student-occupied buildings. Per the State of Idaho's Department of Education, the School was required to spend \$47,241 in expenses relating to student-occupied buildings, based on the factor of 29,000 square feet multiplied by a factor of \$81.45 then multiplied again by 2%. However, the School only spent \$20,121. The School had a carryover from the prior year of \$22,580, therefore, as of June 30, 2008, fund balance of \$49,700 will be designated for future capital outlay and repairs and maintenance on student-occupied buildings.

NOTE 7 – CONCENTRATION OF CREDIT RISK

Sandpoint Charter School maintains two checking accounts at a single bank. The Federal Deposit Insurance Corporation (FDIC) insures up to \$100,000 at an institution. Cash at this institution exceeded federally insured limits. The amount in excess of the FDIC limit totaled \$78,486 and \$57,125 as of June 30, 2008 and 2007, respectively.

NOTE 8 – HIGH SCHOOL EXPANSION PROJECT

Sandpoint Charter School has received permission as of August 26th from the chartering agency, Lake Pend Orielle School District, to expand to a high school program over the next three years. This expansion is intended to begin with fifty to one hundred 9th and 10th grade students in the fall of 2009. The high school will follow in the footsteps of the successful project based middle school model and is projected to grow to an enrollment of up to two-hundred students. The school is actively searching for an appropriate interim facility for the fall of 2009, with an eventual plan to build a separate facility for the high school. Costs for the facility are yet to be determined. Current projections of lease costs per year are up to \$90,000 per year for a facility that could house seventy-five students. This projection is in line with current costs for debt service and principal at the current school and represents about 18% of the projected budget for the new high school. By way of comparison, the current school pays approximately 15% of its annual budget for debt service and principal.

NOTE 9 – SUBSEQUENT EVENT

On August 21, 2008, Sandpoint Charter School entered into a 30-year loan with Panhandle State Bank for \$210,000 at a fixed interest rate of 4.5%. The loan proceeds will be used for roof replacement, new asphalt in the parking lots, a new sewer line, and architect fees.

SUPPLEMENTARY INFORMATION

HAYDEN & ROSS, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors
Sandpoint Charter School, Inc.
Sandpoint, Idaho 83864

Our report on our audit of the basic financial statements of the Sandpoint Charter School, Inc. for the years ended June 30, 2008 and 2007 appears on Page 1. That audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The other additional information presented on pages 10 through 17 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hayden & Ross, P.A.

Moscow, Idaho
September 16, 2008

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended June 30, 2008

	<u>Program (Instructional)</u>	<u>Administrative (Support)</u>	<u>Non-Instruction</u>	<u>Total</u>
Salaries	432,386	108,223		540,609
Benefits	132,364	24,262		156,626
Purchased services	11,347	98,025		109,372
Supply-materials	39,840	14,304		54,144
Capital objects			4,422	4,422
Debt-service interest		86,882		86,882
Depreciation and amortization	<u>44,476</u>			<u>44,476</u>
Total Expense	<u>\$ 660,413</u>	<u>331,696</u>	<u>4,422</u>	<u>996,531</u>

See accountants' report.

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

STATEMENT OF FUNCTIONAL EXPENSE
For the Year Ended June 30, 2007

	<u>Program</u> <u>(Instructional)</u>	<u>Administrative</u> <u>(Support)</u>	<u>Non-Instruction</u>	<u>Total</u>
Salaries	344,706	88,936		433,642
Benefits	102,810	26,181		128,991
Purchased services	17,648	104,068		121,716
Supply-materials	29,626	15,086		44,712
Capital objects			7,136	7,136
Insurance		5,319		5,319
Debt-service interest		96,322		96,322
Depreciation and amortization	<u>48,585</u>			<u>48,585</u>
Total Expense	<u>\$ 543,375</u>	<u>335,912</u>	<u>7,136</u>	<u>886,423</u>

See accountants' report.

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2008

	GOVERNMENTAL FUND TYPES		FIDUCIARY FUND TYPES	ACCOUNT GROUPS		Totals (Memorandum Only)
	General	Special Revenue	Agency	General Fixed Assets	General Long-Term Debt	
ASSETS AND OTHER DEBITS						
Assets:						
Cash	169,153	4,929	4,404			178,486
State support program receivable	12,961	880				13,841
Other receivable	2,660					2,660
Property, equipment & amortization				1,674,520		1,674,520
Prepaid Expenses	5,995					5,995
Other debits:						
Amount to be provided for retirement of general long-term debt					1,411,395	1,411,395
Total assets and other debits	\$ 190,769	5,809	4,404	1,674,520	1,411,395	3,286,897
LIABILITIES						
Accounts Payable	14,198					14,198
Accrued payroll and benefits	86,113					86,113
Due to student groups			4,404			4,404
Notes payable					1,411,395	1,411,395
Total liabilities	100,311	0	4,404	0	1,411,395	1,516,110
EQUITY AND OTHER CREDITS						
Investment in general fixed assets				1,674,520		1,674,520
Net Assets:						
Designated for student-occupied building maintenance	49,700					49,700
Unreserved-undesignated	40,758	5,809				46,567
Total equity and other credits	90,458	5,809	0	1,674,520	0	1,770,787
Total liabilities, equity and other credits	\$ 190,769	5,809	4,404	1,674,520	1,411,395	3,286,897

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET
ASSETS - BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local:			
Interest	13,155		13,155
Other	2,872		2,872
Total local	<u>16,027</u>	<u>0</u>	<u>16,027</u>
State:			
Base support	823,791	1,000,978	(177,187)
Benefit support	83,210	100,372	(17,162)
Exceptional Child Support	9,594		9,594
Other state support	25,689		25,689
Total state	<u>942,284</u>	<u>1,101,350</u>	<u>(159,066)</u>
Total revenues	<u>958,311</u>	<u>1,101,350</u>	<u>(143,039)</u>
EXPENDITURES			
Current:			
Instruction:			
Salaries	409,717	447,114	37,397
Benefits	128,520	152,437	23,917
Purchased services		3,075	3,075
Supply-materials	36,473	43,460	6,987
Capital Objects		172,000	172,000
Total instruction	<u>574,710</u>	<u>818,086</u>	<u>243,376</u>
Support:			
Salaries	108,223	149,038	40,815
Benefits	24,262	31,223	6,961
Purchased services	98,025	99,425	1,400
Supply-materials	14,304	38,540	24,236
Insurance		2,880	2,880
Total support	<u>244,814</u>	<u>321,106</u>	<u>76,292</u>
Capital objects	<u>4,422</u>	<u>0</u>	<u>(4,422)</u>
Total expenditures	<u>823,946</u>	<u>1,139,192</u>	<u>315,246</u>
Excess(deficit) of revenues over(under) expenditures	<u>134,365</u>	<u>(37,842)</u>	<u>172,207</u>
Other financing sources (uses):			
Transfer in		6,000	(6,000)
Transfer out	<u>(125,472)</u>	<u>(185,920)</u>	<u>60,448</u>
Total other financing sources (uses)	<u>(125,472)</u>	<u>(179,920)</u>	<u>54,448</u>
Change in net assets	<u>8,893</u>	<u>(217,762)</u>	<u>226,655</u>
Net Assets - Beginning of year	<u>81,565</u>		
Net Assets - End of year (Budget Basis)	90,458		
Adjustments to conform with GAAP:			
Capitalized capital objects	57,525		
Depreciation expense	<u>(36,981)</u>		
Net Assets - End of Year (GAAP)	<u>\$ 111,002</u>		

See accountants' report.

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

GENERAL FUND
SCHEDULE OF EXPENDITURES BY FUNCTION - BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	Actual	Budget	Variance Favorable (Unfavorable)
INSTRUCTION:			
Secondary			
Salaries	409,717	447,114	37,397
Benefits	128,520	152,437	23,917
Purchased services		3,075	3,075
Supply-materials	36,473	43,460	6,987
Capital Objects		172,000	172,000
Total Secondary	574,710	818,086	71,376
TOTAL INSTRUCTION:			
Salaries	409,717	447,114	37,397
Benefits	128,520	152,437	23,917
Purchased services		3,075	3,075
Supply-materials	36,473	43,460	6,987
Capital Objects		172,000	172,000
Total Instruction	\$ 574,710	818,086	71,376
SUPPORT:			
Instructional Improvement			
Purchased services	3,513		(3,513)
Total Instructional Improvement	3,513	0	(3,513)
School administration			
Salaries	88,706	125,192	36,486
Benefits	22,765	29,386	6,621
Purchased Services	39,265	34,850	(4,415)
Supply-materials	7,140	25,420	18,280
Insurance		2,880	2,880
Total school administration	157,876	217,728	59,852
Custodial			
Salaries	13,689	23,846	10,157
Benefits	1,270	1,837	567
Purchased services	33,371	46,125	12,754
Supply-materials	2,158	11,480	9,322
Total Custodial	50,488	83,288	32,800
Maintenance - Buildings and Equipment			
Salaries	5,828		(5,828)
Benefits	227		(227)
Purchased services	7,158		(7,158)
Supply-materials	4,530		(4,530)
Total maintenance - buildings and equipment	17,743	0	(17,743)
Maintenance - Grounds			
Purchased services	5,686	8,200	2,514
Supply-materials	476	1,640	1,164
Total maintenance - grounds	6,162	9,840	3,678
Transportation			
Purchased services	9,032	10,250	1,218
Total Transportation	9,032	10,250	1,218
TOTAL SUPPORT:			
Salaries	108,223	149,038	46,643
Benefits	24,262	31,223	7,188
Purchased services	98,025	99,425	3,695
Supply-materials	14,304	38,540	23,072
Insurance	0	2,880	2,880
Total Support	\$ 244,814	321,106	83,478

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET
ASSETS - ALL SPECIAL REVENUE FUNDS**
For the Year Ended June 30, 2008

	State Technology Grant	Title VI-B Fund	Miscellaneous Grant	Total
REVENUES				
Local:				
Other			9,009	9,009
State:				
State support	4,960			4,960
Federal:				
Restricted		28,794		28,794
Total revenues	4,960	28,794	9,009	42,763
EXPENDITURES				
Current:				
Instruction:				
Salaries		22,669		22,669
Benefits		3,844		3,844
Purchased services	4,066	2,281	5,000	11,347
Supplies-materials	894		2,473	3,367
Total instruction	4,960	28,794	7,473	41,227
Total expenditures	4,960	28,794	7,473	41,227
Excess of revenues over expenditures	0	0	1,536	1,536
Net assets-beginning of year	4,273	0	0	4,273
Net assets-end of year	4,273	0	1,536	5,809
Adjustments to conform with GAAP:				
Capitalized capital objects			7,158	7,158
Depreciation expense			(954)	(954)
Net Assets - End of Year (GAAP)	\$ 4,273	0	7,740	12,013

See accountants' report.

SANDPOINT CHARTER SCHOOL, INC.
Sandpoint, Idaho

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - SCHOOL PLANT FACILITY FUND**
For the Year Ended June 30, 2008

REVENUES		0
EXPENDITURES		
Debt service principal	38,590	
Debt service interest	<u>86,882</u>	
Total expenditures		<u>125,472</u>
Excess (deficiency) of revenues over expenditures		(125,472)
Other financing sources (uses):		
Transfer in		<u>125,472</u>
Change in net assets		0
Net assets-beginning of year		<u>0</u>
Net assets-end of year (budget basis)		0
Adjustments to conform with GAAP:		
Capitalized capital objects		1,609,837
Loan proceeds		(1,550,000)
Principal payments		138,605
Depreciation expense		<u>(169,607)</u>
Net assets - end of year (GAAP)		<u>\$ 28,835</u>

See accountants' report.